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SUBJECT: GREEK CABINET RESHUFFLE: CONTINUITY IN FM AND
DEFENSE, BUT CHANGES IN SECURITY, ENERGY, AND ECONOMY

Classified By: AMBASSADOR DANIEL SPECKHARD. REASONS 1.4 (B) AND (D).

1. (C) SUMMARY: On January 7, PM Karamanlis announced a fairly widespread Cabinet reshuffle. FM Bakoyannis and DefMin Meimarakis remain, but key personnel at the various economic ministries were replaced or shifted, including the Minister of National Economy and Finance and the Minister of Development (in charge of energy). On the security side, former CHOD and alternate Minister of Public Order Chinofotis was fired. The Cabinet changes appeared designed to address widespread criticism of the government's handling of major issues, but it is unclear at this point to what extent the personnel changes will result in any real changes in policy or even blunt criticism of the government. END SUMMARY.

MUSICAL CHAIRS

2. (SBU) On January 7, PM Karamanlis announced a fairly widespread Cabinet reshuffle, though in many cases trusted ministers were shifted between jobs and only a few top officials were out of government altogether. Newer faces were more evident at the deputy minister level. No changes were announced for the Ministry of National Defense. At the Foreign Ministry, Bakoyannis remains as Minister, but Deputy Minister Doukas, who was heavily implicated in the Vatopaidion scandal, was replaced by up-and-coming MP and former Chairman of the Parliamentary Defense and Foreign Affairs Committee Miltiades Varvitsiotis.

3. (SBU) On the security side, alternate Minister of Public Order and former CHOD Chinofotis was ousted, though his boss Pavlopoulos will remain as Minister of Interior. Also at Interior, a new deputy minister of Mass Media, Kostas Gioulekas, an MP and former journalist from Thessaloniki, was appointed. The Ministry of Justice will now be headed by Nikos Dendias, a lawyer from Corfu elected an ND MP in 2004 who was also deputy chairman of the Parliamentary committee that investigated the Vatopaidion land-swap scandal.

4. (SBU) Some of the most important replacements took place in the economic ministries. Minister of the National Economy and Finance Alogoskoufis is out, being replaced by one of his deputies, Yannis Papathanassiou. Minister of Development was replaced by former Minister of Economy and Finance Kostas Karamanlis. Minister of Justice Sotiris Hadjigakis. Former FM Antonis Samaras returned to become the new Minister of Culture. Finally, while former Minister of State Rousopoulos' title disappeared with him a few weeks ago, the solid Evangelis Antonaros was formally named as the PM's spokesperson.

COMMENT: WHAT IT ALL MEANS

¶5. (C) Karamanlis' Cabinet changes appeared designed to address widespread criticism of his government's handling of the weakening economy, the Vatopaidion land-swap scandal, and the recent riots. It is unclear at this point, however, to what extent the personnel changes will result in any real changes in policy or whether they will even meet public demand for action.

¶6. (C) Public sentiment had turned against Minister of National Economy and Finance Alogoskoufis over pension reforms, spikes in consumer prices, tax hikes, and a general perception that he and his ministry had done little to help the average Greek. His replacement, former Deputy Minister Papathanasiou, will have his work cut out for him as the Greek economy's growth rate slows as a result of the global financial crisis and Greece has trouble meeting its optimistic budget projections. At the Ministry of Development, Kostas Hatzidakis comes over from the Ministry of Transport and Communication with a solid reputation as an effective manager. He has no experience in the key sector of energy, however, and it is not clear what the change means for the future of Greece's natural gas plans.

¶7. (C) The replacement of Chinofotis at the Ministry of Public Order was likely meant to deflect criticism of the GOG's handling of the violence and demonstrations. At Justice, Hadjigakis' replacement Dendias is highly regarded, with a positive, can-do attitude that could help us move

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along on key issues, such as trafficking in persons, visa waiver, and the ratification of the U.S.-EU Extradition and Mutual Legal Assistance agreements, which has been stuck at Justice despite our many pushes.

¶8. (C) The emergence of the generally pro-U.S. Antonis Samaras from the political wilderness is clearly designed as a way to re-introduce him to an ND government in preparation for bigger things later. He would be a much better fit at one of the economic ministries or the Foreign Ministry, which he once headed, but could probably not work under or with Bakoyannis, whose father's government fell to Pasok in 1993 after Samaras left ND to form a new minor party over dissatisfaction with what Samaras thought was Mitsotakis' softness toward Macedonia.

SPECKHARD